

SENATE BILL 772  
EMERGENCY BILL

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2003 Regular Session  
3lr2362  
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By: **Senators Middleton, Astle, Brinkley, Britt, Brochin, Colburn, Conway, Currie, DeGrange, Della, Dyson, Exum, Forehand, Frosh, Garagiola, Giannetti, Gladden, Green, Greenip, Grosfeld, Hafer, Haines, Harris, Hogan, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Jones, Kasemeyer, Kelley, Kittleman, Klausmeier, Kramer, Lawlah, McFadden, Miller, Mooney, Munson, Pinsky, Pipkin, Ruben, Schrader, Stoltzfus, Stone, and Teitelbaum**

Constitutional Requirements Complied with for Introduction in the last 35 Days of Session

Introduced and read first time: March 19, 2003

Rules suspended

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 23, 2003

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Health Insurance - Nonprofit Health Service Plans - Reform**

3 FOR the purpose of altering certain provisions relating to the regulation of nonprofit  
4 health service plans; specifying the purpose of a certain provision of law;  
5 specifying that certain nonprofit health service plans are exempt from certain  
6 taxes; establishing the mission of nonprofit health service plans, including any  
7 insurer or health maintenance organization wholly owned or controlled by a  
8 nonprofit health service plan; requiring a nonprofit health service plan to  
9 develop certain goals, objectives, and strategies; exempting certain nonprofit  
10 health service plans from certain public service requirements; specifying the  
11 manner in which certain nonprofit health service plans can satisfy certain  
12 requirements; requiring certain nonprofit health service plans to perform  
13 certain functions; providing that a nonprofit health service plan may satisfy a  
14 certain requirement in a certain manner; repealing a requirement that the  
15 Insurance Commissioner follow certain procedures after making a certain  
16 determination; requiring the Insurance Commissioner to issue an order to  
17 require that a nonprofit health service plan pay a certain premium tax for a  
18 certain period of time under certain circumstances; specifying the use of certain  
19 premium tax revenue collected by the Maryland Insurance Administration;

1 specifying information that certain applicants for a certificate of authority must  
2 submit; specifying certain criteria that the Insurance Commissioner shall  
3 consider when issuing a certain certificate of authority; specifying certain  
4 activities in which a certain corporation may engage; specifying that certain  
5 members of a certain board of directors are fiduciaries on behalf of certain  
6 corporations and their controlled affiliates or subsidiaries; specifying the  
7 manner in which certain board members shall act; specifying the principal  
8 functions of a certain board; specifying the number and composition of members  
9 on a certain board; specifying the manner in which certain board members shall  
10 be chosen; requiring a certain board to establish certain committees; specifying  
11 the functions of certain committees; specifying the composition of certain  
12 committees; specifying that each board member of a certain corporation must  
13 serve on at least one standing committee of a certain board; specifying certain  
14 actions by the board that require certain board approval; specifying that a  
15 certain decision by the board may be rejected by a certain number of board  
16 members; requiring a certain board and its standing committees to maintain full  
17 and complete board minutes; altering the term of certain board members  
18 beginning on a certain date; altering the maximum term of certain board  
19 members; prohibiting certain individuals from serving on a certain board;  
20 limiting the compensation of certain board members; altering the maximum  
21 representation of certain individuals on a certain board; ~~specifying that certain~~  
22 ~~fiduciary duties of board members do not create a cause of action against a~~  
23 ~~certain board; providing that a violation of certain provisions of law is an~~  
24 ~~unsound or unsafe business practice; prohibiting the Insurance Commissioner~~  
25 ~~from approving certain amendments to the articles of incorporation or bylaws of~~  
26 ~~certain corporations unless a certain determination is made by the Insurance~~  
27 ~~Commissioner; prohibiting the Insurance Commissioner from approving a~~  
28 ~~statement of proposed action by a certain nonprofit health service plan unless a~~  
29 ~~certain determination is made by the Insurance Commissioner; providing that~~  
30 ~~an officer, director, trustee, or employee of a certain corporation may not~~  
31 ~~approve or receive any remuneration from certain corporate assets except for~~  
32 ~~certain fair and reasonable compensation; providing that the approval or receipt~~  
33 ~~of certain remuneration is a violation of certain provisions of law; requiring the~~  
34 ~~Insurance Commissioner to review certain payments made to officers, directors,~~  
35 ~~or trustees of a certain corporation on an annual basis; requiring the Insurance~~  
36 ~~Commissioner to issue an order prohibiting payment of a certain amount under~~  
37 ~~certain circumstances; specifying when a certain determination by a certain~~  
38 ~~regulating entity is effective; ratifying a certain determination by the Insurance~~  
39 ~~Commissioner; providing for the termination of certain board members and for~~  
40 ~~replacement of those members; specifying that the terms of certain board~~  
41 ~~members are subject to certain provisions of law; requiring the terms of certain~~  
42 ~~board members to terminate no later than a certain date; requiring a board of a~~  
43 ~~certain corporation to develop a plan for staggered board membership; declaring~~  
44 ~~the intent of the General Assembly that certain board members be subject to the~~  
45 ~~provisions of this Act; providing that certain provisions of this Act apply to~~  
46 ~~certain compensation agreements made by certain officers, directors, trustees,~~  
47 ~~or employees of a certain corporation; prohibiting a person from filing an~~  
48 ~~application to acquire a certain nonprofit health service plan, and prohibiting a~~

1 certain nonprofit health service plan from being acquired, for a certain period of  
2 time; prohibiting the Insurance Commissioner from approving an application for  
3 acquisition of a certain nonprofit health service plan; requiring the Insurance  
4 Commissioner to monitor a nonprofit health service plan's compliance with this  
5 Act and to issue a certain report annually; defining a certain term; altering a  
6 certain definition; making this Act an emergency measure; and generally  
7 relating to nonprofit health service plans.

8 BY repealing and reenacting, with amendments,  
9 Article - Insurance  
10 Section 14-101, 14-102, 14-106, 14-107, 14-109 through 14-111, 14-115,  
11 14-116(a)(1), 14-126(a), 14-133(c), 14-139(b) through (g), and 14-504(b)  
12 Annotated Code of Maryland  
13 (2002 Replacement Volume and 2002 Supplement)

14 BY repealing and reenacting, without amendments,  
15 Article - Insurance  
16 Section 14-504(a)  
17 Annotated Code of Maryland  
18 (2002 Replacement Volume and 2002 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article - State Government  
21 Section 6.5-203(h)  
22 Annotated Code of Maryland  
23 (1999 Replacement Volume and 2002 Supplement)

24 Preamble

25 WHEREAS, Maryland's Blue Cross Plan was created by statute in 1937 as a  
26 charitable and benevolent organization for the benefit and common good of the  
27 community as a whole; and

28 WHEREAS, Maryland's Blue Cross and Blue Shield Plans were consolidated  
29 into a single nonprofit corporation in 1985 to create Blue Cross and Blue Shield of  
30 Maryland, Inc.; and

31 WHEREAS, Blue Cross and Blue Shield of Maryland, Inc., merged with Group  
32 Hospitalization and Medical Services, Inc., in 1997, and CareFirst, Inc., was formed  
33 as a holding company; and

34 WHEREAS, In 2000, CareFirst, Inc., entered into an affiliation with BlueCross  
35 BlueShield Delaware; and

36 WHEREAS, CareFirst, Inc., is Maryland's Blue Cross Blue Shield Plan; and

37 WHEREAS, CareFirst, as a nonprofit corporation, is a community asset; and

1 WHEREAS, The mission of CareFirst is to provide the most affordable and  
2 accessible health insurance to Maryland citizens; and

3 WHEREAS, There is a national crisis of health insurance affordability and  
4 accessibility; and

5 WHEREAS, CareFirst is the State's largest health insurer; and

6 WHEREAS, CareFirst has enjoyed significant taxpayer and State-funded  
7 exemptions and subsidies to assist in its mission; and

8 WHEREAS, In recent years, CareFirst has exited from several segments of the  
9 Maryland health insurance market, including the withdrawal from the  
10 Medicare+Choice program and the withdrawal of its subsidiary HMOs, FreeState and  
11 Delmarva, from both the individual and small group insurance markets in Maryland,  
12 resulting in over 6,000 medically uninsurable individuals; and

13 WHEREAS, Citing a need for increased access to capital, on January 11, 2002,  
14 CareFirst filed an application with the Maryland Insurance Commissioner to convert  
15 to a for-profit company and to be acquired by a California-based health insurer for  
16 \$1.3 billion; and

17 WHEREAS, In 2002, the profits of CareFirst rose 13% to \$104 million, its  
18 revenue was \$6.7 billion, and the number of its members increased to 3.24 million;  
19 and

20 WHEREAS, On March 5, 2003, after extensive review, the Maryland Insurance  
21 Commissioner found that the proposed sale and conversion of CareFirst is not in the  
22 public interest; and

23 WHEREAS, The Insurance Commissioner found that the Board of Directors of  
24 CareFirst misapprehended, or ignored, its overriding responsibility to the mission of  
25 CareFirst and its insureds - to provide coverage at a minimum cost and expense; and

26 WHEREAS, The Insurance Commissioner found that the management of  
27 CareFirst did not view their corporate mission as restraining or guiding their  
28 business activities; and

29 WHEREAS, The Insurance Commissioner found that the Board of Directors of  
30 CareFirst failed to seek and consider material information relevant to the decision to  
31 convert, information which an ordinarily prudent person would have sought and  
32 considered under the same circumstances, and which would likely have caused a  
33 prudent board to reconsider the decision to convert; and

34 WHEREAS, The Insurance Commissioner found that the management of  
35 CareFirst insisted on large bonuses and permanent roles in the combined company  
36 that conflicted with the interests of CareFirst; and

37 WHEREAS, The Insurance Commissioner found that the decision of the Board  
38 of Directors of CareFirst to grant merger incentives was an egregious breach of its

1 duties of care and loyalty and that a key motivation behind the conversion was  
2 enrichment of the executives of CareFirst; and

3 WHEREAS, The Insurance Commissioner found that the bidding process for the  
4 sale of CareFirst was flawed and did not produce fair market value; and

5 WHEREAS, The Insurance Commissioner found that CareFirst matched or  
6 exceeded other nonprofit and for profit insurers on capital spending and that  
7 CareFirst has adequate capital to fund its capital investment needs; now, therefore,

8 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
9 MARYLAND, That the Laws of Maryland read as follows:

10 **Article - Insurance**

11 14-101.

12 (a) In this subtitle the following words have the meanings indicated.

13 (b) "Health care provider" means a chiropractor, dentist, hospital, optometrist,  
14 pharmacist, physician, podiatrist, or psychologist.

15 (c) "Health care services" means chiropractic, dental, hospital, medical,  
16 optometric, pharmaceutical, podiatric, or psychological services.

17 (D) "NONPROFIT HEALTH SERVICE PLAN" INCLUDES AN ENTITY THAT IS  
18 ISSUED A CERTIFICATE OF AUTHORITY UNDER THIS SUBTITLE, WHETHER OR NOT  
19 THE ENTITY IS ORGANIZED UNDER THE LAWS OF THIS STATE.

20 14-102.

21 (A) THE PURPOSE OF THIS SUBTITLE IS:

22 (1) TO REGULATE THE FORMATION AND OPERATION OF NONPROFIT  
23 HEALTH SERVICE PLANS IN THE STATE; AND

24 (2) TO PROMOTE THE FORMATION AND EXISTENCE OF NONPROFIT  
25 HEALTH SERVICE PLANS IN THE STATE THAT:

26 (I) ARE COMMITTED TO A NONPROFIT CORPORATE STRUCTURE;

27 (II) SEEK TO PROVIDE INDIVIDUALS, BUSINESSES, AND OTHER  
28 GROUPS WITH THE MOST AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE  
29 POSSIBLE; AND

30 (III) RECOGNIZE A RESPONSIBILITY TO CONTRIBUTE TO THE  
31 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS.

32 (B) A NONPROFIT HEALTH SERVICE PLAN THAT COMPLIES WITH THE  
33 PROVISIONS OF THIS SUBTITLE IS DECLARED TO BE A PUBLIC BENEFIT  
34 CORPORATION THAT IS EXEMPT FROM TAXATION AS PROVIDED BY LAW.

1 (C) SUBSECTION (D) OF THIS SECTION APPLIES TO ANY INSURER OR HEALTH  
2 MAINTENANCE ORGANIZATION WHOLLY OWNED OR CONTROLLED BY A NONPROFIT  
3 HEALTH SERVICE PLAN EVEN IF THE INSURER OR HEALTH MAINTENANCE  
4 ORGANIZATION IS ORGANIZED AS A FOR PROFIT ORGANIZATION.

5 (D) THE MISSION OF A NONPROFIT HEALTH SERVICE PLAN SHALL BE TO:

6 (1) PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE TO  
7 THE PLAN'S INSUREDS AND THOSE PERSONS INSURED OR ISSUED HEALTH BENEFIT  
8 PLANS BY AFFILIATES OF SUBSIDIARIES OF THE PLAN;

9 (2) ASSIST AND SUPPORT PUBLIC AND PRIVATE HEALTH CARE  
10 INITIATIVES FOR INDIVIDUALS WITHOUT HEALTH INSURANCE; AND

11 (3) PROMOTE THE INTEGRATION OF A STATEWIDE HEALTH CARE  
12 SYSTEM THAT MEETS THE HEALTH CARE NEEDS OF ALL MARYLAND CITIZENS.

13 (E) A NONPROFIT HEALTH SERVICE PLAN SHALL DEVELOP GOALS,  
14 OBJECTIVES, AND STRATEGIES FOR CARRYING OUT ITS STATUTORY MISSION.

15 (F) A corporation without capital stock organized for the purpose of  
16 establishing, maintaining, and operating a nonprofit health service plan through  
17 which health care providers provide health care services to subscribers to the plan  
18 under contracts that entitle each subscriber to certain health care services shall be  
19 governed and regulated by:

20 (1) this subtitle;

21 (2) Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of  
22 this article;

23 (3) Title 2, Subtitle 5 of this article;

24 (4) §§ 4-113 and 4-114 of this article;

25 (5) Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;

26 (6) Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;

27 (7) Title 9, Subtitles 1, 2, and 4 of this article;

28 (8) Title 10, Subtitle 1 of this article;

29 (9) Title 27 of this article; and

30 (10) any other provision of this article that:

31 (i) is expressly referred to in this subtitle;

32 (ii) expressly refers to this subtitle; or

1 (iii) expressly refers to nonprofit health service plans or persons  
2 subject to this subtitle.

3 14-106.

4 (a) It is the public policy of this State that the exemption from taxation for  
5 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that  
6 funds which would otherwise be collected by the State and spent for a public purpose  
7 shall be used in a like manner and amount by the nonprofit health service plan.

8 (b) This section does not apply to a nonprofit health service plan that insures  
9 [fewer than] BETWEEN 1 AND 10,000 covered lives in Maryland OR ISSUES  
10 CONTRACTS FOR ONLY ONE OF THE FOLLOWING SERVICES:

11 (1) PODIATRIC;

12 (2) CHIROPRACTIC;

13 (3) PHARMACEUTICAL;

14 (4) DENTAL;

15 (5) PSYCHOLOGICAL; OR

16 (6) OPTOMETRIC.

17 (c) By March 1 of each year or a deadline otherwise imposed by the  
18 Commissioner for good cause, each nonprofit health service plan shall file with the  
19 Commissioner a premium tax exemption report that:

20 (1) is in a form approved by the Commissioner; and

21 (2) demonstrates that the plan has used funds equal to the value of the  
22 premium tax exemption provided to the plan under § 6-101(b) of this article, in a  
23 manner that serves the public interest in accordance with [ subsections (d) and (e) of]  
24 this section.

25 (d) [A] TO THE EXTENT THAT THE VALUE OF THE PREMIUM TAX EXEMPTION  
26 EXCEEDS ANY REQUIRED CONTRIBUTION TO THE SUBSIDY PROVIDED TO THE  
27 SENIOR PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER ~~TITLE 14~~, SUBTITLE 5,  
28 PART II OF THIS ~~ARTICLE~~ TITLE, A nonprofit health service plan may satisfy the  
29 public service requirement [in subsection (c)(2)] of this section by establishing that  
30 the plan has:

31 (1) increased access to, or the affordability of, one or more health care  
32 products or services by offering and selling health care products or services that are  
33 not required or provided for by law; [or]

34 (2) PROVIDED FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH  
35 PROGRAMS;

1 (3) EMPLOYED UNDERWRITING STANDARDS IN A MANNER THAT  
2 INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR  
3 HEALTH CARE PRODUCTS;

4 (4) EMPLOYED PRICING POLICIES THAT ENHANCE THE AFFORDABILITY  
5 OF HEALTH CARE SERVICES OR HEALTH CARE PRODUCTS AND RESULT IN A HIGHER  
6 MEDICAL LOSS RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR PROFIT  
7 HEALTH INSURER; OR

8 [(2)] (5) served the public interest by any method or practice approved  
9 by the Commissioner.

10 (e) [(1)] [A] NOTWITHSTANDING SUBSECTION (D) OF THIS SECTION, A  
11 nonprofit health service plan that is subject to this section and issues comprehensive  
12 health care benefits in the State shall:

13 (1) OFFER HEALTH CARE PRODUCTS IN THE INDIVIDUAL MARKET;

14 (2) OFFER HEALTH CARE PRODUCTS IN THE SMALL EMPLOYER GROUP  
15 MARKET IN ACCORDANCE WITH TITLE 15, SUBTITLE 12 OF THIS ARTICLE; AND

16 (3) administer and subsidize the Senior Prescription Drug Program  
17 established under ~~Title 14~~, Subtitle 5, Part II of this title.

18 [(2)] (F) The subsidy required under the Senior Prescription Drug  
19 Program may not exceed the value of the nonprofit health service plan's premium tax  
20 exemption under § 6-101(b) of this article.

21 [(f)] (G) Each report filed with the Commissioner under subsection (c) of this  
22 section is a public record.

23 14-107.

24 (a) By November 1 of each year, the Commissioner shall issue an order  
25 notifying each nonprofit health service plan that is required to file a report under §  
26 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106  
27 of this subtitle.

28 (b) [(1)] If the Commissioner determines that a nonprofit health service plan  
29 has not satisfied the requirements of § 14-106 of this subtitle, [the nonprofit health  
30 service plan shall have 1 year from the date the Commissioner issued the order under  
31 subsection (a) of this section to comply with the requirements of § 14-106 of this  
32 subtitle.

33 (2) If after the time period provided under paragraph (1) of this  
34 subsection the Commissioner determines that a nonprofit health service plan has not  
35 satisfied the requirements of § 14-106 of this subtitle:

1 (i) the Commissioner shall report the determination to the House  
 2 [ Economic Matters ] HEALTH AND GOVERNMENT OPERATIONS Committee and the  
 3 Senate Finance Committee, including the reasons for the determination; and

4 (ii) if required by an act of the General Assembly, the nonprofit  
 5 health service plan shall be subject to] THE COMMISSIONER SHALL ISSUE AN ORDER  
 6 REQUIRING THE NONPROFIT HEALTH SERVICE PLAN TO PAY the premium tax under  
 7 Title 6, Subtitle 1 of this article;

8 1. FOR A PERIOD OF TIME BEGINNING WITH THE DATE THE  
 9 PLAN WAS DETERMINED TO NOT BE IN COMPLIANCE WITH § 14-106 OF THIS  
 10 SUBTITLE; AND UNTIL SUCH TIME AS THE NONPROFIT HEALTH SERVICE PLAN  
 11 DEMONSTRATES TO THE COMMISSIONER THAT THE PLAN IS COMPLYING WITH §  
 12 14-106 OF THIS SUBTITLE.

13 2. IN AN AMOUNT EQUAL TO THE AMOUNT BY WHICH THE  
 14 VALUE OF THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION  
 15 UNDER § 6-101(B) OF THIS ARTICLE EXCEEDS THE SUM OF:

16 A. THE SUBSIDY REQUIRED UNDER THE SENIOR  
 17 PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II OF THIS  
 18 TITLE; AND

19 B. OTHER FUNDS USED BY THE NONPROFIT HEALTH  
 20 SERVICE PLAN TO MEET THE PUBLIC SERVICE REQUIREMENT UNDER § 14-106 OF  
 21 THIS SUBTITLE.

22 (c) A nonprofit health service plan that fails to timely file the report required  
 23 under § 14-106 of this subtitle shall pay the penalties under § 14-121 of this subtitle.

24 (d) A party aggrieved by an order of the Commissioner issued under this  
 25 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this  
 26 article.

27 (E) PREMIUM TAX REVENUE COLLECTED BY THE ADMINISTRATION AS THE  
 28 RESULT OF AN ORDER ISSUED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE  
 29 DEPOSITED INTO THE MARYLAND HEALTH INSURANCE PLAN FUND ESTABLISHED  
 30 UNDER § 14-504 OF THIS TITLE.

31 14-109.

32 An applicant for a certificate of authority shall:

33 (1) file with the Commissioner an application on the form that the  
 34 Commissioner provides containing the information that the Commissioner considers  
 35 necessary;

36 (2) pay to the Commissioner the applicable fee required by § 2-112 of  
 37 this article; and

1 (3) file with the Commissioner copies of the following documents,  
2 certified by at least two of the executive officers of the corporation:

3 (i) articles of incorporation, INCLUDING THE APPLICANT'S  
4 CORPORATE MISSION STATEMENT, with all amendments;

5 (ii) bylaws with all amendments;

6 (iii) each contract executed or proposed to be executed by the  
7 corporation and a health care provider, embodying the terms under which health care  
8 services are to be furnished to subscribers to the plan;

9 (iv) each form of contract issued or proposed to be issued to  
10 subscribers to the plan and a table of the rates charged or proposed to be charged to  
11 subscribers for each form of contract;

12 (v) a financial statement of the corporation, including the amount  
13 of each contribution paid or agreed to be paid to the corporation for working capital,  
14 the name of each contributor, and the terms of each contribution;

15 (vi) a list of the names and addresses of and biographical  
16 information about the members of the board of directors of the [nonprofit health  
17 service plan] CORPORATION; [and]

18 (VII) A LIST OF THE TOTAL COMPENSATION PAID OR PROPOSED TO  
19 BE PAID TO EACH OFFICER ~~AND MEMBER OF THE BOARD OF DIRECTORS, DIRECTOR,~~  
20 OR TRUSTEE OF THE CORPORATION;

21 (VIII) A LIST OF THE BEGINNING AND ENDING TERMS OF  
22 MEMBERSHIP FOR EACH MEMBER OF THE BOARD OF DIRECTORS OF THE  
23 CORPORATION; AND

24 [(vii)] (IX) any other information or documents that the  
25 Commissioner considers necessary to ensure compliance with this subtitle.

26 14-110.

27 The Commissioner shall issue a certificate of authority to an applicant if:

28 (1) the applicant has paid the applicable fee required by § 2-112 of this  
29 article; and

30 (2) the Commissioner is satisfied:

31 (i) that the applicant has been organized in good faith for the  
32 purpose of establishing, maintaining, and operating a nonprofit health service plan  
33 THAT:

34 1. IS COMMITTED TO A NONPROFIT CORPORATE  
35 STRUCTURE;



1 (3) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE  
2 MARYLAND ECONOMIC DEVELOPMENT CORPORATION AS PROVIDED UNDER ARTICLE  
3 83A, TITLE 5, SUBTITLE 2 OF THE CODE, AS APPROVED BY THE COMMISSIONER; AND

4 (4) PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE  
5 ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS INTENDED TO  
6 ADDRESS COMMUNITY HEALTH CARE NEEDS, AS APPROVED BY THE COMMISSIONER.

7 14-115.

8 (a) (1) In this section the following words have the meanings indicated.

9 (2) "Board" means the board of directors of a nonprofit health service  
10 plan.

11 (3) "Immediate family member" means a spouse, child, child's spouse,  
12 parent, spouse's parent, sibling, or sibling's spouse.

13 (b) Subsections (c) through [(f)] (H) of this section apply to a nonprofit health  
14 service plan that is incorporated under the laws of the State and operates under a  
15 certificate of authority issued by the Commissioner under this subtitle.

16 (c) (1) The business and affairs of a nonprofit health service plan shall be  
17 managed under the direction of a board of directors.

18 (2) The board and its individual members are fiduciaries and shall act:

19 (i) in good faith;

20 (ii) in a manner that is reasonably believed to be in the best  
21 interests of the corporation AND ITS CONTROLLED AFFILIATES OR SUBSIDIARIES  
22 THAT OFFER HEALTH BENEFIT PLANS; [and]

23 (III) IN A MANNER THAT IS REASONABLY BELIEVED TO BE IN  
24 FURTHERANCE OF THE CORPORATION'S NONPROFIT MISSION; AND

25 [(iii)] (IV) with the care that an ordinarily prudent person in a like  
26 position would use under similar circumstances.

27 (3) THE PRINCIPAL FUNCTIONS OF THE BOARD SHALL INCLUDE:

28 (I) ENSURING THAT THE CORPORATION EFFECTIVELY CARRIES  
29 OUT THE NONPROFIT MISSION ESTABLISHED UNDER § 14-102(C) OF THIS SUBTITLE;

30 (II) SELECTING AND EVALUATING THE PERFORMANCE OF  
31 CORPORATE MANAGEMENT;

32 (III) ENSURING TO THE EXTENT PRACTICABLE THAT HUMAN  
33 RESOURCES AND OTHER RESOURCES ARE SUFFICIENT TO MEET CORPORATE  
34 OBJECTIVES;

1 (IV) NOMINATING AND SELECTING SUITABLE CANDIDATES FOR  
2 INDIVIDUALS TO THE BOARD; AND

3 (V) ESTABLISHING A SYSTEM OF GOVERNANCE AT THE BOARD  
4 LEVEL, INCLUDING AN ANNUAL EVALUATION OF BOARD PERFORMANCE.

5 (4) EACH MEMBER OF THE BOARD SHALL DEMONSTRATE A  
6 COMMITMENT TO THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN.

7 [(3)] (5) An officer or employee of a nonprofit health service plan or any  
8 of its affiliates or subsidiaries may not be appointed or elected to the board.

9 [(4)] (6) A nonprofit health service plan is subject to the provisions of §  
10 2-419 of the Corporations and Associations Article.

11 (d) (1) THIS SUBSECTION APPLIES TO A CORPORATION THAT:

12 (I) IS ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT  
13 HEALTH SERVICE PLAN; AND

14 (II) IS THE SOLE MEMBER OF A CORPORATION ISSUED A  
15 CERTIFICATE OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.

16 (2) This subsection does not apply to a board of a nonprofit health service  
17 plan that INSURES BETWEEN 1 AND 10,000 COVERED LIVES IN MARYLAND OR issues  
18 contracts for only one of the following services:

19 (i) podiatric;

20 (ii) chiropractic;

21 (iii) pharmaceutical;

22 (iv) dental;

23 (v) psychological; or

24 (vi) optometric.

25 (3) (I) THE BOARD OF DIRECTORS OF A NONPROFIT HEALTH SERVICE  
26 PLAN SUBJECT TO THIS SECTION SHALL HAVE NO MORE THAN 21 MEMBERS.

27 (II) OF THE 21 MEMBERS OF THE BOARD:

28 1. ONE SHALL BE APPOINTED BY THE PRESIDENT OF THE  
29 SENATE;

30 2. ONE SHALL BE APPOINTED BY THE SPEAKER OF THE  
31 HOUSE; AND



- 1 (7) NO MORE THAN FOUR MEMBERS OF THE BOARD MAY BE:
- 2 (I) LICENSED HEALTH CARE PROFESSIONALS;
- 3 (II) HOSPITAL ADMINISTRATORS; OR
- 4 (III) EMPLOYEES OF HEALTH CARE PROFESSIONALS OR HOSPITALS.
- 5 (8) (I) THE BOARD SHALL ESTABLISH THE FOLLOWING STANDING  
6 COMMITTEES:
- 7 1. AN AUDIT COMMITTEE RESPONSIBLE FOR ENSURING  
8 FINANCIAL ACCOUNTABILITY;
- 9 2. A FINANCE COMMITTEE RESPONSIBLE FOR REVIEWING  
10 AND MAKING RECOMMENDATIONS ON THE ANNUAL BUDGET AND FOR DEVELOPING  
11 AND RECOMMENDING LONG-RANGE FINANCIAL OBJECTIVES;
- 12 3. A COMPENSATION COMMITTEE RESPONSIBLE FOR:
- 13 A. EVALUATING AND ~~APPROVING~~ RECOMMENDING FOR  
14 APPROVAL THE COMPENSATION PAID TO OFFICERS AND EMPLOYEES WITH ANNUAL  
15 COMPENSATION GREATER THAN \$150,000, INCLUDING ANY BONUS OR INCREASE IN  
16 COMPENSATION; AND
- 17 B. ~~FOR~~ COMPARING THE COMPENSATION WITH OFFICERS  
18 AND EMPLOYEES OF COMPARABLE NOT FOR PROFIT ENTITIES IN THE UNITED  
19 STATES AND REPORTING THIS INFORMATION ANNUALLY TO THE BOARD;
- 20 4. A NOMINATING COMMITTEE RESPONSIBLE FOR  
21 IDENTIFYING, EVALUATING, AND RECOMMENDING TO THE BOARD INDIVIDUALS  
22 QUALIFIED TO BECOME BOARD MEMBERS AND RECOMMENDING TO THE BOARD  
23 THOSE MEMBERS REPRESENTING GROUP HOSPITALIZATION AND MEDICAL  
24 SERVICES, INC. AND BLUECROSS BLUESHIELD DELAWARE;
- 25 5. A SERVICE AND QUALITY OVERSIGHT COMMITTEE  
26 RESPONSIBLE FOR ENSURING THAT POLICIES AND SYSTEMATIC PROCESSES ARE IN  
27 PLACE AND WORKING TO ASSESS AND IMPROVE THE QUALITY OF HEALTH  
28 INSURANCE CARE SERVICES AND HEALTH CARE PRODUCTS PROVIDED TO  
29 SUBSCRIBERS AND CERTIFICATE HOLDERS;
- 30 6. A MISSION OVERSIGHT COMMITTEE RESPONSIBLE FOR  
31 ENSURING THE OFFICERS OF THE CORPORATION ACT IN ACCORDANCE WITH THE  
32 MISSION OF THE NONPROFIT HEALTH SERVICE PLAN;
- 33 7. A STRATEGIC PLANNING COMMITTEE RESPONSIBLE FOR  
34 EXAMINING LONG RANGE PLANNING OBJECTIVES, ASSESSING STRATEGIES THAT  
35 MAY BE USED TO IMPLEMENT THOSE OBJECTIVES, AND ANALYZING THE NONPROFIT  
36 HEALTH SERVICE PLAN'S ROLE IN THE INSURANCE MARKETPLACE; AND

1 8. ANY OTHER COMMITTEE THAT THE BOARD DETERMINES  
2 IS NECESSARY TO CARRY OUT ITS BUSINESS DUTIES.

3 (II) EACH STANDING COMMITTEE SHALL HAVE REPRESENTATIVES  
4 FROM EACH CORPORATION FOR WHICH THE NONPROFIT HEALTH SERVICE PLAN IS  
5 THE SOLE MEMBER.

6 (III) THE COMPENSATION COMMITTEE AND THE NOMINATING  
7 COMMITTEE SHALL EACH INCLUDE EITHER THE APPOINTEE OF THE PRESIDENT OF  
8 THE SENATE OR THE SPEAKER OF THE HOUSE.

9 (IV) EACH BOARD MEMBER SHALL SERVE ON AT LEAST ONE  
10 STANDING COMMITTEE.

11 (V) 1. THE CHAIRMAN OF THE BOARD SHALL SELECT A  
12 CHAIRMAN FOR EACH BOARD COMMITTEE.

13 2. A COMMITTEE CHAIRMAN SHALL SERVE NO MORE THAN 2  
14 CONSECUTIVE YEARS.

15 (9) (I) THE FOLLOWING ACTIONS BY A NONPROFIT HEALTH SERVICE  
16 PLAN, OR A CORPORATION FOR WHICH THE NONPROFIT HEALTH SERVICE PLAN IS  
17 THE SOLE MEMBER, SHALL BE APPROVED BY THE BOARD:

18 1. A SIGNIFICANT MODIFICATION TO BENEFIT LEVELS;

19 2. A SIGNIFICANT MODIFICATION TO PROVIDER NETWORKS  
20 OR PROVIDER REIMBURSEMENT;

21 3. A SIGNIFICANT MODIFICATION OF UNDERWRITING  
22 GUIDELINES;

23 4. A SIGNIFICANT MODIFICATION OF RATES OR RATING  
24 PLANS;

25 5. THE WITHDRAWAL OF A PRODUCT FROM A LINE OR TYPE  
26 OF BUSINESS OR GEOGRAPHIC REGION; AND

27 6. ANY OTHER ACTION THAT COULD SIGNIFICANTLY IMPACT  
28 THE AVAILABILITY AND AFFORDABILITY OF HEALTH CARE IN THE STATE.

29 (II) A DECISION BY THE BOARD TO CONVERT TO A FOR PROFIT  
30 ENTITY UNDER TITLE 6.5 OF THE STATE GOVERNMENT ARTICLE MAY BE REJECTED  
31 BY ANY THREE MEMBERS OF THE BOARD.

32 (10) THE BOARD AND ITS STANDING COMMITTEES SHALL MAINTAIN  
33 FULL AND COMPLETE MINUTES OF ALL BOARD AND COMMITTEE MEETINGS AND  
34 DELIBERATIONS.

1 (e) (1) This subsection does not apply to a NONPROFIT HEALTH SERVICE  
2 PLAN THAT INSURES BETWEEN 1 AND 10,000 COVERED LIVES IN MARYLAND OR A  
3 board that has fewer than three authorized members.

4 (2) The term of a member is [3] 2 years.

5 (3) The terms of the members of a board shall be staggered over a  
6 [3-year] 2-YEAR period as required by the terms provided for members of the board  
7 in the bylaws filed and approved by the Commissioner on or after June 1, [1993]  
8 2003.

9 (4) At the end of a term, a member continues to serve until a successor is  
10 appointed and qualifies.

11 (5) A member who is appointed after a term has begun serves only for  
12 the rest of the term and until a successor is appointed and qualifies.

13 (6) A member may not serve for more than:

14 (i) three full terms; or

15 (ii) a total of more than [9] 6 years.

16 (7) A person may not be a member of the board if the person:

17 (i) has defaulted on the payment of a monetary obligation to the  
18 nonprofit health service plan;

19 (ii) has been convicted of a criminal offense involving dishonesty or  
20 breach of trust or a felony; ~~or~~

21 (iii) habitually has neglected to pay debts; OR

22 (IV) HAS BEEN PROHIBITED UNDER ANY FEDERAL SECURITIES LAW  
23 FROM ACTING AS A DIRECTOR OR OFFICER OF ANY CORPORATION.

24 (8) A member shall meet any other qualifications set forth in the bylaws  
25 of the nonprofit health service plan.

26 (9) A member may not be an immediate family member of another board  
27 member or an officer or employee of the nonprofit health service plan.

28 (10) The board shall elect a chairman from among its members.

29 (11) The [membership] COMPOSITION of the board shall represent the  
30 [different] RACIAL, GENDER, AND geographic [regions] DIVERSITY of the State.

31 (f) The board shall notify the Commissioner of any member who attends less  
32 than 65% of the meetings of the board during a period of 12 consecutive months.

1 [(g) (1) This subsection does not apply to a board of a nonprofit health service  
2 plan that has a premium income for the preceding year of less than \$30,000,000.

3 (2) No more than 25% of a board may be:

4 (i) licensed health care professionals;

5 (ii) hospital administrators; and

6 (iii) employees of health care professionals or hospitals.

7 (3) The Commissioner may adopt regulations that limit the  
8 representation of licensed health care professionals, hospital administrators, and  
9 employees of health care professionals or hospitals on a subcommittee of the board in  
10 accordance with paragraph (2) of this subsection.]

11 (G) (1) EXCLUDING REIMBURSEMENT FOR ORDINARY AND NECESSARY  
12 TRAVEL EXPENSES INCURRED AS A RESULT OF SERVING ON THE BOARD, A DIRECTOR  
13 OF A CORPORATION SUBJECT TO THIS SECTION MAY NOT RECEIVE TOTAL  
14 COMPENSATION IN EXCESS OF \$10,000 ANNUALLY FOR SERVING ON THE BOARD.

15 (2) A MEMBER MAY NOT RECEIVE MORE THAN THE AMOUNT SPECIFIED  
16 IN PARAGRAPH (1) OF THIS SUBSECTION FOR SERVING ON MORE THAN ONE BOARD  
17 OF A CORPORATION SUBJECT TO THIS SECTION.

18 14-116.

19 (a) (1) In this section, "unsound or unsafe business practice" means a  
20 business practice that:

21 (i) is detrimental to the financial condition of a nonprofit health  
22 service plan and does not conform to sound industry practice; [or]

23 (ii) impairs the ability of a nonprofit health service plan to pay  
24 subscriber benefits; OR

25 (III) VIOLATES § 14-102, § 14-115, OR § 14-139(C) OF THIS SUBTITLE.

26 14-126.

27 (a) (1) A corporation subject to this subtitle may not amend its certificate of  
28 incorporation, bylaws, or the terms and provisions of contracts issued or proposed to  
29 be issued to subscribers to the plan until the proposed amendments have been  
30 submitted to and approved by the Commissioner and the applicable fees required by  
31 § 2-112 of this article have been paid.

32 (2) A corporation subject to this subtitle may not change the table of  
33 rates charged or proposed to be charged to subscribers for a form of contract issued or  
34 to be issued for health care services until the proposed change has been submitted to  
35 and approved by the Commissioner.

1           (3)     THE COMMISSIONER MAY NOT APPROVE AN AMENDMENT TO A  
2 CORPORATION'S ARTICLES OF INCORPORATION OR BYLAWS UNDER PARAGRAPH (1)  
3 OF THIS SUBSECTION UNLESS THE COMMISSIONER DETERMINES THE AMENDMENT  
4 IS IN THE PUBLIC INTEREST.

5 14-133.

6       (c)     (1)     A nonprofit health service plan shall submit a statement of proposed  
7 action to the Commissioner before the plan may:

8                   (i)     create, acquire, or invest in an affiliate or subsidiary in order to  
9 control the affiliate or subsidiary;

10                   (ii)    alter the structure, organization, purpose, or ownership of the  
11 plan or an affiliate or subsidiary of the corporation;

12                   (iii)   make an investment exceeding \$500,000; or

13                   (iv)    make an investment in an affiliate or subsidiary.

14           (2)     The nonprofit health service plan shall file the statement of proposed  
15 action required under this subsection at least 60 days before the effective date of the  
16 proposed action.

17           (3)     The nonprofit health service plan may not engage in a proposed  
18 action described under paragraph (1)(i) through (iii) of this subsection unless the  
19 Commissioner approves the action in writing.

20           (4)     The Commissioner shall either approve or disapprove the proposed  
21 action within 60 days after the Commissioner receives the statement of proposed  
22 action.

23           (5)     THE COMMISSIONER MAY NOT APPROVE A STATEMENT OF  
24 PROPOSED ACTION UNDER THIS SUBSECTION UNLESS THE COMMISSIONER  
25 DETERMINES THE PROPOSED ACTION IS IN THE PUBLIC INTEREST.

26 14-139.

27       (b)     An officer, director, or trustee of a corporation operating under this subtitle  
28 may not receive any immediate or future remuneration as the result of an acquisition  
29 or proposed acquisition, as defined under § 6.5-101 of the State Government Article,  
30 except in the form of compensation paid for continued employment with the company  
31 or acquiring entity.

32       (C)     (1)     EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AN  
33 OFFICER, DIRECTOR, TRUSTEE, OR EMPLOYEE OF A CORPORATION OPERATING  
34 UNDER THIS SUBTITLE MAY NOT APPROVE OR RECEIVE ANY REMUNERATION FROM  
35 THE ASSETS OF THE CORPORATION.

1           (2)     AN OFFICER, DIRECTOR, TRUSTEE, OR EMPLOYEE OF A  
2 CORPORATION OPERATING UNDER THIS SUBTITLE MAY ONLY APPROVE OR RECEIVE  
3 FROM THE ASSETS OF THE CORPORATION FAIR AND REASONABLE COMPENSATION  
4 IN THE FORM OF SALARY, BONUSES, OR PERQUISITES FOR WORK ACTUALLY  
5 PERFORMED FOR THE BENEFIT OF THE CORPORATION.

6           (3)     THE APPROVAL OR RECEIPT OF REMUNERATION IN VIOLATION OF  
7 THIS SUBSECTION IS A VIOLATION OF § 14-115(C) OF THIS SUBTITLE AND SHALL BE  
8 CONSIDERED AN UNSOUND OR UNSAFE BUSINESS PRACTICE UNDER § 14-116 OF THIS  
9 SUBTITLE.

10          (4)     (I)     ON AN ANNUAL BASIS, THE COMMISSIONER SHALL REVIEW  
11 THE COMPENSATION, BONUSES, AND ANY PAYMENTS FOR PERQUISITES PAID TO  
12 EACH OFFICER, DIRECTOR, OR TRUSTEE OF A CORPORATION OPERATING UNDER  
13 THIS SUBTITLE FOR WORK PERFORMED FOR THE CORPORATION.

14                   (II)     IF THE COMMISSIONER FINDS THAT REMUNERATION PAID TO  
15 AN OFFICER, DIRECTOR, OR TRUSTEE EXCEEDS THE AMOUNT AUTHORIZED UNDER  
16 PARAGRAPH (2) OF THIS SUBSECTION, THE COMMISSIONER SHALL ISSUE AN ORDER  
17 PROHIBITING PAYMENT OF THE EXCESS AMOUNT.

18     [(c)]   (D)     (1)     A person that violates subsection (a) OR (C) of this section is  
19 subject to a civil penalty not exceeding \$5,000 for each violation.

20           (2)     Instead of or in addition to imposing a civil penalty, the  
21 Commissioner may require the violator to make restitution to any person that has  
22 suffered financial injury as a result of the violation.

23     [(d)]   (E)     In determining the amount of financial penalty to be imposed, the  
24 Commissioner shall consider:

25           (1)     the seriousness of the violation;

26           (2)     the good faith of the violator;

27           (3)     the violator's history of previous violations;

28           (4)     the deleterious effect of the violation on the public and the nonprofit  
29 health service industry; and

30           (5)     the assets of the violator.

31     [(e)]   (F)     (1)     Before assessing a civil penalty, the Commissioner shall serve  
32 by certified mail, return receipt requested, on the person to be charged a notice that  
33 contains:

34                   (i)     the specifications of the charge; and

35                   (ii)    the time and place of a hearing to be held on the charges.

1           (2)     The Commissioner shall hold a hearing on the charges at least 20  
2 days after the date of mailing the notice.

3           (3)     The Commissioner or designee of the Commissioner shall conduct a  
4 hearing on the charges in accordance with Title 2, Subtitle 2 of this article.

5           (4)     Subject to Title 2, Subtitle 2 of this article, an appeal may be taken  
6 from a final order of the Commissioner to the Circuit Court for Baltimore City.

7     [(f)]     (G)     In addition to any other penalty or remedy under this section, a  
8 person that is found to have gained financially from a violation of a provision of this  
9 article or a regulation adopted by the Commissioner shall forfeit the gain.

10     [(g)]     (H)     This section does not prevent a person damaged by a director, officer,  
11 manager, employee, or agent of a corporation subject to this subtitle from bringing a  
12 separate action in a court of competent jurisdiction.

13 14-504.

14     (a)     (1)     There is a Maryland Health Insurance Plan Fund.

15           (2)     The Fund is a special nonlapsing fund that is not subject to § 7-302 of  
16 the State Finance and Procurement Article.

17           (3)     The Treasurer shall separately hold and the Comptroller shall  
18 account for the Fund.

19           (4)     The Fund shall be invested and reinvested at the direction of the  
20 Board in a manner that is consistent with the requirements of Title 5, Subtitle 6 of  
21 this article.

22           (5)     Any investment earnings shall be retained to the credit of the Fund.

23           (6)     On an annual basis, the Fund shall be subject to an independent  
24 actuarial review setting forth an opinion relating to reserves and related actuarial  
25 items held in support of policies and contracts.

26           (7)     The Fund shall be used only to provide funding for the purposes  
27 authorized under this subtitle.

28     (b)     The Fund shall consist of:

29           (1)     premiums for coverage that the Plan issues;

30           (2)     premiums paid by enrollees of the Senior Prescription Drug Program;

31           (3)     money collected in accordance with § 19-219 of the Health - General  
32 Article;

33           (4)     money deposited by a carrier in accordance with § 14-513 of this  
34 subtitle;

1 (5) income from investments that the Board makes or authorizes on  
2 behalf of the Fund;

3 (6) interest on deposits or investments of money from the Fund; [and]

4 (7) PREMIUM TAX REVENUE COLLECTED UNDER § 14-107 OF THIS TITLE;  
5 AND

6 [(7)] (8) money collected by the Board as a result of legal or other actions  
7 taken by the Board on behalf of the Fund.

8 **Article - State Government**

9 6.5-203.

10 (h) A determination made by the appropriate regulating entity under  
11 subsection (f) of this section may not take effect until 90 calendar days after the date  
12 the determination is made OR WHEN RATIFIED OR REJECTED BY THE GENERAL  
13 ASSEMBLY, WHICHEVER IS EARLIER.

14 SECTION 2. AND BE IT FURTHER ENACTED, That pursuant to §  
15 6.5-203(h) of the State Government Article as enacted by Section 1 of this Act, the  
16 General Assembly of Maryland ratifies the determination of the Insurance  
17 Commissioner, and for the reasons set forth in MIA Case No. 2003-02-032, finds that  
18 the conversion of CareFirst to a for profit entity is not in the public interest, and  
19 declares that it is in the interest of all Marylanders to protect and preserve CareFirst  
20 in its nonprofit form.

21 ~~SECTION 3. AND BE IT FURTHER ENACTED, That any person who is a~~  
22 ~~member of the board of directors of a nonprofit health service plan that is subject to~~  
23 ~~the provisions of § 14-115(d) of the Insurance Article as enacted by Section 1 of this~~  
24 ~~Act on the effective date of this Act:~~

25 (a) ~~whose term as a director has exceeded the 9-year statutory term limit~~  
26 ~~applicable to a nonprofit health service plan shall be removed from the board~~  
27 ~~immediately; and~~

28 (b) ~~whose term expires in December 2003 shall be removed no later than~~  
29 ~~December 31, 2003.~~

30 ~~SECTION 4. AND BE IT FURTHER ENACTED, That:~~

31 (a) ~~Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance~~  
32 ~~Article as enacted by Section 1 of this Act, to fill the vacancies resulting under Section~~  
33 ~~3(1) of this Act, members of the board who shall begin serving on the effective date of~~  
34 ~~this Act shall be appointed as follows:~~

35 (1) ~~one member appointed by the President of the Senate;~~

36 (2) ~~one member appointed by the Speaker of the House;~~

1           (3)     three members appointed by the Governor as follows:  
 2                   (i)     one member representing the Maryland Hospital Association;  
 3                   (ii)    one member representing small business interests; and  
 4                   (iii)   one consumer member, who is the officer of an insurer, that is  
 5 ~~not a health insurer, organized under the laws of the State and who is subject to the~~  
 6 ~~provisions of § 14-115(d)(5) and (6) of the Insurance Article as enacted by Section 1 of~~  
 7 ~~this Act; and~~

8           (4)     three members appointed by the board, subject to § 14-115(d)(8)(i)4  
 9 of the Insurance Article as enacted by Section 1 of this Act.

10   (b)     Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance  
 11 Article as enacted by Section 1 of this Act, to fill the vacancies resulting under Section  
 12 3(2) of this Act, members of the board shall be appointed as follows:

13           (1)     three members appointed by the Governor as follows:  
 14                   (i)     one member representing the Maryland Medical and  
 15 ~~Chirurgical Society;~~  
 16                   (ii)    one member representing organized labor; and  
 17                   (iii)   one consumer member who is subject to the provisions of §  
 18 ~~14-115(d)(5) and (6) of the Insurance Article as enacted by Section 1 of this Act; and~~

19           (2)     ten members appointed by the board, subject to § 14-115(d)(8)(i)4 of  
 20 ~~the Insurance Article as enacted by Section 1 of this Act.~~

21   SECTION 3. AND BE IT FURTHER ENACTED, That:

22   (a)     Those board members representing a corporation that is organized under  
 23 the laws of the State and that is subject to the provisions of § 14-115(d) of the  
 24 Insurance Article, as enacted by Section 1 of this Act, shall be removed from the board  
 25 of directors as follows:

26           (1)     eight members whose initial election to any board of a nonprofit  
 27 health service plan organized under the laws of this State occurred between June  
 28 1993 and December 1995 shall be removed on the effective date of this Act; and

29           (2)     four members whose initial election to any board of a nonprofit  
 30 health service plan organized under the laws of this State occurred between January  
 31 1996 and April 1998 shall be removed on or before December 31, 2003.

32   (b)     This section does not apply to those members who serve on the board of  
 33 directors of a corporation that is subject to the provisions of § 14-115(d) of the  
 34 Insurance Article, as enacted by Section 1 of this Act, who represent a corporation  
 35 that is not organized under the laws of the State.

1 SECTION 4. AND BE IT FURTHER ENACTED, That:

2 (a) Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance  
3 Article, as enacted by Section 1 of this Act, to fill the eight board vacancies resulting  
4 from the removal of directors under Section 3(a)(1) of this Act, successor members  
5 shall begin serving on the effective date of this Act and shall be appointed as follows:

6 (1) one member by the President of the Senate;

7 (2) one member by the Speaker of the House; and

8 (3) six members by the Governor as follows:

9 (i) one member representing the Maryland Medical and  
10 Chirurgical Society;

11 (ii) one member representing the interests of hospitals in the State;

12 (iii) one member representing small business interests in the State;

13 (iv) one member representing organized labor in the State; and

14 (v) two consumer members, both of whom shall be subject to the  
15 provisions of § 14-115(d)(5) and (6) of the Insurance Article, as enacted by Section 1 of  
16 this Act, and one of whom shall be an officer of an insurer that is not a health insurer  
17 and that is organized under the laws of the State.

18 (b) Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance  
19 Article, as enacted by Section 1 of this Act, to fill the four board vacancies resulting  
20 from the removal of directors under Section 3(a)(2) of this Act, successor members  
21 shall begin serving on or before December 31, 2003 and shall be appointed by those  
22 members appointed under subsection (a) of this section.

23 (c) All members appointed under subsections (a) and (b) of this section shall  
24 have prior experience serving as a trustee or director of a corporation.

25 (d) When the terms of the board members appointed under subsections (a) and  
26 (b) of this section expire as provided under § 14-115(e) of the Insurance Article, as  
27 enacted by Section 1 of this Act, the vacancies shall be filled in accordance with §  
28 14-115(d)(3) of the Insurance Article, as enacted by Section 1 of this Act.

29 (e) The term of a board member who serves on the board of a corporation  
30 subject to the provisions of § 14-115(d) of the Insurance Article, as enacted by Section  
31 1 of this Act, and who represents a corporation that is not organized under the laws of  
32 the State:

33 (1) shall be subject to the provisions of § 14-115(e)(6)(ii) of the Insurance  
34 Article, as enacted by Section 1 of this Act; and

35 (2) shall terminate no later than March 31, 2006.

1 (f) Subject to approval by the Insurance Commissioner, the board of directors  
2 of a corporation subject to the provisions of § 14-115(d) of the Insurance Article, as  
3 enacted by Section 1 of this Act, shall develop a plan to stagger the terms of the board  
4 members.

5 SECTION 5. AND BE IT FURTHER ENACTED, That it is the intent of the  
6 General Assembly that the provisions of Section 1 of this Act shall apply to all  
7 members serving on the board of directors of a nonprofit health service plan that is  
8 subject to the provisions of § 14-115(d) of the Insurance Article, as enacted by Section  
9 1 of this Act.

10 SECTION 6. AND BE IT FURTHER ENACTED, That the provisions of §  
11 14-139(c) of the Insurance Article, as enacted by Section 1 of this Act, shall apply to  
12 any existing compensation agreement, including an agreement to provide termination  
13 benefits, between a corporation organized under the laws of this State and subject to  
14 § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, and an officer,  
15 director, trustee, or employee of the corporation.

16 SECTION 7. AND BE IT FURTHER ENACTED, That, for a period of 5 years  
17 after the effective date of this Act:

18 (1) a person may not file an application for the acquisition of a nonprofit  
19 health service plan subject to the provisions of § 14-115(d) of the Insurance Article, as  
20 enacted by Section 1 of this Act, and a nonprofit health service plan subject to the  
21 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,  
22 may not be acquired, under Title 6.5 of the State Government Article; and

23 (2) the Insurance Commissioner may not approve an application for the  
24 acquisition of a nonprofit health service plan subject to the provisions of § 14-115(d)  
25 of the Insurance Article, as enacted by Section 1 of this Act.

26 SECTION ~~5-8~~. AND BE IT FURTHER ENACTED, That, on or before  
27 February 1, 2004 and annually thereafter, the Insurance Commissioner shall submit  
28 an annual report to the Governor and, subject to § 2-1246 of the State Government  
29 Article, the Senate Finance Committee and the House Health and Government  
30 Operations Committee on the efforts of a corporation subject to § 14-115(d) of the  
31 Insurance Article, as enacted by Section 1 of this Act to comply with the provisions of  
32 this Act.

33 SECTION ~~6-9~~. AND BE IT FURTHER ENACTED, That this Act is an  
34 emergency measure, is necessary for the immediate preservation of the public health  
35 or safety, has been passed by a ye and nay vote supported by three-fifths of all the  
36 members elected to each of the two Houses of the General Assembly, and shall take  
37 effect from the date it is enacted.

